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# A Change Management Perspective on Public Sector Cutback Management: Towards a Framework for Analysis

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## Abstract

The financial crisis forces public managers to implement cutbacks within their organization. We argue that adopting a change management perspective contributes to our understanding of cutback management by adding a focus on managerial behaviour regarding cutback-related organizational changes. Relying on change management literature, this paper develops a framework for the analysis of cutback management connecting the context, content, process, outcomes and leadership of cutback-related change. From this it follows that managers can be positioned at the intersection of various imperatives, both externally and internally, such as their political leaders and their own subordinates. A research agenda is proposed.

**Keywords:** Cutback management, public managers, change management, cutbacks, public management

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## Introduction

The financial crisis has forced many public sector organizations to implement cutbacks (Kickert 2012). In response, public managers use a range of strategies to manage cuts (Overmans and Noordegraaf 2014; Overmans and Timm-Arnold, 2016): while some managers look for strategies primarily focused on cutting costs, cutbacks may also be part of reforms aimed at improving performance through becoming more cost-efficient (Peters, Pierre and Randma-Liiv 2011). Given that demands for high quality public services are ever-present (Andrews, Boyne and Walker 2012) and that public organizations cannot easily (choose to) stop their services (Levine 1979), strategies to improve performance and thereby be more cost-efficient are a relevant area of study. Strategies to improve performance usually involve large-scale organizational changes that are likely to impact on working conditions, on the structure of decision-making within the organization and on work-related attitudes (Van der Voet and Van de Walle 2015). At the same time, money to lubricate the change is often lacking when facing fiscal constraints (Pollitt 2010). Hence, changing organizations during times of cutbacks is a challenging task for public managers.

While it would be expected that the crisis would lead to a wide range of publications on the management of cutback-related change, there is, in the words of Pollitt, *“a yawning gap (...) of independent analytic studies showing how cutbacks were being managed and implemented at the service level. Nor do we have anything approaching a major theorized study of the specifically administrative and managerial impacts of the current round of fiscal squeeze”* (2015, p. 7). Research on how public managers handle cutbacks is still largely lacking, with most studies focusing on the effects of cutbacks on employees (e.g. Kiefer, Hartley, Conway and Briner 2015; Van der Voet and Vermeeren 2016) and on the content of cutback packages (e.g. Kickert 2012; Di Mascio and Natalini 2014).

Given that budget cuts are expected to influence the daily practices within an organization, cutbacks can be considered a form of organizational change (Raudla, Savi and Randma-Liiv 2015). Levine, one of the founding fathers of cutback management as a research field, defined cutback management as *‘managing organizational change towards lower levels of resource consumption and organizational activity.’* (1979, p. 180). From this definition, it follows that cutback management and change management are inherently related. While

recent literature reviews on both cutback management (e.g., Cepiku and Savignon 2012; Raudla *et al.* 2015a) and change management (Kuipers, Higgs, Kickert, Tummers, Grandia and Van der Voet 2014) provided important insights, scholars have yet to analyse public sector cutbacks from a change management perspective. The main aims of this paper are to address these gaps in the literature by developing a framework for the analysis of cutback management from a change management perspective and, following this framework, by outlining a research agenda to increase our understanding of how cutbacks are managed within public organizations. Our conceptual study thus contributes to theory in two ways: by refining change management theory for the specific context of cutbacks and, more importantly, by adding to the study of cutback management a behavioural approach in which managers' strategic actions are central.

Within the public management literature, much attention has been devoted to changes to the structure of government. Research from such a perspective adds to our understanding of *what* changes and *why* change occurs, but pays limited attention to *how* change is managed *within* organizations (Kuipers *et al.* 2014). A change management perspective, on the contrary, does highlight the managerial challenges of change and is usually focussed on the organizational or inter-organizational level. When a change management approach is adopted, as is in this study, the central focus of the analysis is the intentional actions of managers, such as coordinating, organizing, planning and directing the process of implementing change (Gill 2002). As such, purposeful managerial action is regarded as a driver of change (Kotter 1996; Meier and O'Toole 2011), and managers as change agents (Pollitt and Bouckaert 2011). As Fernandez and Rainey observe: '*Public sector studies also offer evidence of the critical role that public managers play in bringing about organizational change*' (2006, p. 168). Within cutback management studies, the role of public managers is also seen as a critical resource in effective cutback management (Behn 1980).

Well-known classical approaches in strategic management focused on managers striving to maximize budgets (Niskanen 1971) or to shape the organization (Dunleavy 1991), both seen as utilities that public managers want to maximize. In this paper, rather than focusing on specific utilities that managers aim to maximize, we see managers as rational adaptive actors who ultimately aim to comply with organizational goals. Although cutback management

research touched upon the possibilities of public managers to fight and resist cutbacks (Lambright 1998), for analytical reasons we assume that managers' strategic and intended behaviours will be aimed at implementing change to deal with cutbacks. In our approach, successful organizational change is seen as the degree to which stated goals have been achieved, and could refer to goals such as improving performance or increasing fiscal health.

This paper starts with an introduction to the cutback management literature with the goal of giving more insight in the genesis of cutback management research. After elaborating on the change management perspective, we present our analytical framework. Following this, we will approach cutback management from a change management perspective by relating the state of the knowledge on cutback management to the five main concepts in our framework. In the final section, based on our framework, we explore avenues for future research.

## Cutback management

The current financial crisis renewed interest in cutback management as a research topic. In 2010, two years after the start of the current crisis, Pandey made an urgent call for more research on cutback management. Attention to cutback management seems to depend on the economic situation: attention is higher in difficult times than in times of relative stability (Pollitt and Bouckaert 2011). This also explains the observation that the current financial crisis reinforced the need for research on cutbacks<sup>2</sup> (e.g. Di Mascio and Natalini 2014; Kickert and Randma-Liiv 2015; Ongaro, Ferré and Fattore 2015; Raudla, Randma-Liiv, Douglas and Savi 2015).

In general, one can discern three theoretical literature streams with regard to cutback management (Cepiku and Sauvignon 2011; Raudla *et al.* 2015a): (1) cutback management from a public administration perspective, starting with the work of Levine (1978) and focusing on the content of cuts; (2) contemporary public administration literature on managing austerity, where the attention is on strategies to manage cutbacks (e.g. Bozeman 2010; Pandey 2010; Pollitt 2010; Kickert and Randma-Liiv 2015; Raudla *et al.* 2015b); and (3) generic literature on organizational decline (e.g. Whetten 1980; Weitzel and Johnsson 1989).

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<sup>2</sup> It is outside the scope of this article to provide a full systematic literature review of cutback management. For an overview of the cutback management literature we refer to Raudla *et al.* 2015a).

The first of these literature streams includes cutback management research from the late 1970s and early 1980s. In the wake of the crises of the 1970s, cutback management slowly climbed the research agenda. The work of Charles Levine in 1978 on organizational decline and cutback management is seen as the starting point of this line of cutback management research. Before the work of Levine, organizational studies primarily concentrated on organizational growth rather than decline. Further, decline was seen as no more than a temporary slowdown in relentless organizational growth. Scholars like Levine (1978; 1984), Behn (1980) and Brewer (1978) argued that managers should pay more attention to decline and proposed reactive strategies for dealing with decline (Cepiku and Sauvignon 2011). Within this line of research, the content of cutbacks was central: what, when and where to cut (Scorsone and Plerhoples 2010). Although Levine (1978, p. 316) stressed that *'government organizations are neither immortal nor unshrinkable'*, it is often unclear within this stream of literature whether cutbacks are seen as permanent or as short-term responses (Scorsone and Plerhoples 2010). According to Raudla *et al.* (2015a), cutback management in the 1970s and 1980s emphasized the rhetoric of using private sector instruments within a public setting, which was later translated into the New Public Management (NPM) movement. Although research on cutback management flourished during the crises of the 1970s and 1980s, it disappeared from the main stage, after reaching its peak in the early 1980s, when another period of economic growth ensued (Bozeman 2010; Pandey 2010).

The crisis that erupted in 2008 renewed interest in cutback management and marks the start of the second related literature stream: contemporary public administration literature on managing austerity. This line of research tends to focus on dealing with cutbacks on a more general level, for example by focusing on fiscal consolidation measures (e.g. Kickert 2012; Di Mascio and Natalini 2014; Kickert & Randma-Liiv, 2016) at the national level rather than looking at how cutbacks are managed at the organizational level (Pollitt 2015). Within recent articles that focus on cutbacks at the organizational level, the focus is regularly on the impact of cuts on employees (e.g. Savi 2014; Kiefer *et al.* 2015; Van der Voet and Vermeeren 2016) and how public managers may mitigate negative consequences of cutbacks. Furthermore, current cutback management scholarship carries forward the work (as developed within the

1970s and 1980s) on cutback management strategies: strategies to implement cutbacks. In its most basic definition, one can discern between targeted cuts and proportional cuts. Targeted cuts are cuts that specifically cut certain departments or programmes, whereas proportional cuts (also known as cheese slicing) are shared equally among different departments or budget lines (Levine 1978; Hood and Wright 1981; Dunsire and Hood 1989; Raudla *et al.* 2015a). Pollitt (2010) added another strategy that is aimed at making efficiency savings. This approach can be seen as '*between the two poles of cheese slicing and strategic prioritization*' (Pollitt 2010, p. 21). While literature from the first stream of cutback management started with conceptual work on cutback management strategies (e.g. Levine, 1978), the renewed interest in cutback management lead to more empirical papers on this topic.

Cepiku and Sauvignon (2011) identified a third literature stream on cutback management: generic management literature on organizational decline. Here, influential authors include Whetten (1980), Cameron, Kim and Whetten (1987) and Weitzel and Jonsson (1989). This literature stream is focused on using a lifecycle approach to overcome a crisis. The lifecycle approach adopts a broad perspective and seeks a long-term strategy to deal with organizational decline. That this stream saw decline as an inevitable aspect of organizational life may explain why this stream continued even when decline was replaced by growth (Bozeman 2010). Main criticism of this literature stream is that it does not pay specific attention to the public sector, which can be problematic in terms of applicability and hence explanatory power (Boyne 2006).

## **Change management in public sector organizations**

Whether driven by cutbacks or not, organizational change seems to have become a permanent feature of the public landscape (Coventry and Nutley 2001). However, the worlds of management and organizational sciences on the one hand, and political and administrative sciences on the other, have long seemed wide apart (Kickert 2010). Recently, the specificity of change management in public sector organizations has received more attention (see, e.g., Kickert 2014; Kuipers *et al.* 2014) and the applicability of insights from the generic management literature is discussed more intensively (Boyne 2002; 2006; Andrews and Esteve 2015). Within the literature on managing change in the public sector, the

focus is usually on improving the efficiency and/or quality of service delivery (Kuipers *et al.* 2014). Such goals can be driven by both cutbacks and the wish to improve services.

The literature on change management has been criticized for being fragmented and therefore unable to provide an analytical framework for researchers to use. Nevertheless, change management research has identified factors that can be used to study cutback management (Van der Voet, Kuipers and Groeneveld, forthcoming). The current paper adopts five factors that help *'to identify the specific characteristics related to change processes and implementation in organizations in a public context'* (Kuipers *et al.* 2014, p. 2): (1) context, (2) content, (3) process, (4) outcomes and (5) leadership. The first four factors were initially identified by Pettigrew, Woodman and Cameron (2001) and leadership was added by Kuipers *et al.* (2014). We use these factors as building blocks for a framework to analyse cutback management. Our framework thus builds on previous work on change management in public organizations (e.g. Van der Voet, Kuipers and Groeneveld 2015b; Pettigrew *et al.* 2001; Kuipers *et al.* 2014) and is depicted in Figure 1.

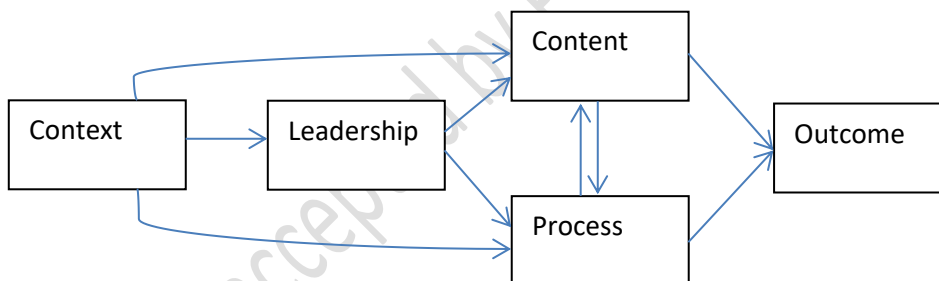


FIGURE 1 *Framework for the analysis of public sector cutback management*

Our framework is based on the idea that managerial behaviour plays a central role in implementing change in the context of cutbacks in a public environment. Public managers occupy a pivotal role within public organizations, at the centre of networks of information, resource flows and personal loyalty (Rainey, 2005), and at the intersection of both political superiors and subordinates. Since decision-making in times of crisis is centred on elites (both administrative and political), public managers may influence the content of the cuts. By managing the content and the process of change, public managers are also expected to

influence the outcomes of cutback-related changes. Furthermore, their leadership is said to smooth the process of implementing cutbacks (Levine 1978). The factors in our framework help to identify the specific characteristics of cutback management and function as a lens through which we review the cutback management literature from a change management perspective. We now discuss the five factors in more detail.

## Context

Context refers to '*the organization's external and internal environments*' (Kuipers *et al.* 2014, p. 2; Meier and O'Toole 2011). The context, usually presented by researchers in terms of the background to the case(s) under investigation, can address various aspects such as time, political-administrative environment or institutional setting. For public managers, the context in which they operate is that of cutbacks in a public setting. Moreover, there are different ways in which context may play an important role in shaping the process and content of cuts, as well as influencing leadership.

One important way in which context plays a role is linked to the distinctiveness of the public and private sectors. There appears to be a consensus that aspects which differentiate the public from the private sector should be taken into account when studying public management (Rainey 2005; Boyne 2006). One of the distinctive features of the public sphere is the political-administrative setting which may influence selection and recruitment of public managers. The political-administrative setting is one of the factors affecting change and reform within public organizations (Pollitt and Bouckaert, 2004).

Context may also refer to time and, here, it places organizational change within a specific timeframe. Leading up to the current financial crisis lie several decades of NPM thinking, as an expression of the dominant neo-liberal ideology in the public sector. More recently, NPM ideas and business-like instruments have come under increasing scrutiny and are sometimes considered inappropriate for the public sector (Groeneveld and Van de Walle 2010). Further, it has been argued that NPM is unsuitable for dealing with the current crisis because of the magnitude and the scale of the cutbacks required (Hood and Dixon 2012). Given this narrative, public managers will increasingly search for new strategies, tactics and instruments



to manage cutbacks as a result of the current crisis. It is in ways like this that context affects the content and process of cuts.

The strategies employed by public managers to manage cutbacks have also been explained by using time as a contextual factor. Palmer (1997) argued that as the nature of a financial decline changes, different strategies become appropriate. While cheese slicing is commonly seen as the first step in implementing cutbacks, managers frequently turn to targeted cuts as an addition to cheese slicing when more cutbacks are required (Dougherty and Klase 2009). This reflects the administrative response model of Levine, Rubin and Wolohjian (1982), which was developed during the financial crisis in the 1980s, that assumes that managers start with cheese slicing and, if the crisis endures, shift to targeted cuts.

One of the conditions for success in implementing organizational change identified by Fernandez and Rainey (2006) is ensuring the need for change. Ensuring a need for change is an important condition since employees are more likely to comply with the change if it is clear why it is needed (Kotter 1996). During times of austerity, ensuring that the need is apparent may not be that difficult. As Cepiku and Sauvignon (2012, p. 433) argue: *'crises are considered to be opportunities for reform, creating a state of shock, which facilitates bolder intervention.'* Although crises may serve as windows of opportunity, some research suggests the opposite. Wright, Christensen and Isett (2013), for example, argue that organizations may not be very receptive to change in times of austerity because change motivated by financial concerns may not find the same support as changes aimed at improving efficiency or quality of the organization.

## Content

The content of change refers to *what* is changed, including the organization's strategies, systems and structure (Kuipers *et al.* 2014), and *why* change is needed. As already noted, the content of change was an important topic in the cutback management research of the 1980s (Scorsone and Plerhoples 2010). Within the more contemporary public administration literature on cutback management, the content of change often refers to aspects related to public personnel. Given that expenditure on personnel usually represents a large proportion of the budget (Holzer, Lee and Newman 2003), managers often look at personnel policies in

seeking cutbacks. Examples of cuts that impact on personnel and related policies are workforce reductions, pay freezes, hiring moratoria and the implementation of furloughs (Lee and Sanders 2013; Randma-Liiv and Savi 2016). As a reaction to the most recent financial crisis, postponing and cancelation of new programmes and downsizing back office function are measures that have been used by top managers in European countries to cope with the crisis (Randma-Liiv and Savi 2016). Important to note is that not all retrenchment policies necessarily lead to change within the organization. A pay-freeze, for example, may not have a direct effect on the work of employees. At the same time, such a policy may decrease employee wellbeing and therefore still be a topic that public managers need to deal with.

As already noted, in managing cutbacks, three different cutback management strategies can generally be distinguished. For all three, it can be argued that they do or do not lead to changes within an organization. The first, applying proportional cuts, results in all departments in an organization being equally trimmed and, therefore, one might question if daily routines really change. Conversely, doing the same with fewer resources must mean that work routines have been made more cost-efficient, for example by removing slack that has been building up in previous years. There must, however, be a limit to the extent to which an organization can absorb such budgetary shocks without performance declining. Beyond some threshold, there might be unforeseen effects on performance (Raudla *et al.* 2015a). The use of performance information may help public managers' decision-making and may influence the type of cutback management strategies used (Raudla, Douglas, Savi and Randma-Liiv 2016), yet time pressure sometimes hinders the use of performance management instruments (Raudla and Savi, 2015).

In the second strategy, pursuing targeted cuts, programmes and/or policies that appear inefficient are stopped and employees may find themselves moved to a different position. This could mean that employees need training to learn new skills and become acquainted with their new tasks. It may also be that people are laid off because their whole department is cut. In this scenario, employees in other departments may not experience much change as a result of cutbacks. It should be noted that budgetary pressure does not necessarily result in a decline in performance. As O'Toole and Meier (2010) showed in their research on a

thousand US schools, some organizations can absorb such events without experiencing a significant decline in performance. Managers are expected to use different strategies to deal with cutbacks depending on whether performance is likely to drop due to cuts.

Organizational changes aimed at increasing efficiency, the third strategy, often seem to be '*politically and organizationally the most desirable way to make savings*' (Pollitt 2010, p. 23). In contrast to cheese slicing, trying to make efficiency gains is seen as inevitably leading to organizational change and thus may involve risk (Pollitt 2010). Examples of seeking efficiency gains are the adoption of flexible working arrangements to cut back on accommodation costs, the integration of different public services, standardizing procurement and decentralizing public tasks. To date, research has only briefly touched upon the link between the content of cuts and how cutbacks are managed (i.e. the process) (see, e.g., Jimenez 2014).

### Process and outcomes

The process and outcomes of change are inherently related and are therefore discussed at once. Where the process of change describes '*the interventions and processes that are involved in the implementation of change*' (Kuipers et al. 2014, p. 2), the outcomes are the result of implementing change and can be '*intended or unintended and positive or negative*' (Kuipers et al. 2014, p. 12).

### Planned versus emergent change

One common way within change management literature to describe the process of change is by referring to the extent that change is planned or 'emergent' (Rainey 2005). By planned change, one refers to a top-down way of implementing organizational change. It reflects the more traditional definition of '*power authority and hierarchical structure*' (Packard et al. 2008, p. 118). Within such a process, change comes down from on high, and is imposed on the organization by its top management. Objectives are described before the organizational change is instigated, and managers try to convince employees of the desirability of the change by emphasizing the contents of the change (Van der Voet et al. 2014). This implies that the process and the content of change are related, as reflected in our framework.

Emergent change, on the other hand, is seen as organizational change implemented in a bottom-up manner. Bottom-up tactics for organizational change involve sharing power and decision-making (Packard *et al.* 2008). Within these strategies, the emphasis is more on changing the organization with the help of employees. Generally, the content of the change is not the starting point but an outcome of the change process. Managers, rather than being drivers of change as in the planned change approach, are facilitators of change (Higgs and Rowland 2005). Emergent change may also refer to a process where change occurs naturally. Weick and Quinn (1999), for example, argue that organizations should focus on '*changing*' rather than '*change*' because this may help in gaining acceptance of the continuous change that organizations naturally encounter.

When considering a planned versus emergent perspective to cutback management, it seems that in difficult times, such as a financial crisis, public sector organizations are more likely than in better times to adopt planned ways of implementing cuts. A high degree of environmental complexity, as in a financial crisis, may force public managers to adopt a top-down approach to change because such an approach outlines clear goals and processes which may help to smooth resistance (Van der Voet, Kuipers and Groeneveld 2015a). Second, it is common in times of crisis to centralize decision-making (Levine 1978; Raudla *et al.* 2015b). Behn (1978) argued that cutback decision-making requires centralization and that a top-down approach is essential when implementing systematic spending cuts. According to Raudla *et al.* (2015b), financial decline triggers hierarchy because budgeting is the domain of managerial executives (Bozeman 2010; Peters 2011). Third, various authors have stressed that appeals for voluntary cutbacks (in other words, cutbacks determined by employees) will not be very common in a crisis (Levine 1979; Behn 1980). In managing cutbacks, top-down decision-making seems necessary to avoid a '*you first, then me*' type of response to cutbacks (Levine 1979, p. 181). A fourth reason that cutback management is often approached from a planned change perspective is that emergent change processes tend to take more time. That is, top-down strategies '*tend to (...) have pushed on with reform at a more intense pace*' (Pollitt and Bouckaert 2011, p. 112). In times of crisis, when there is an urgent need for change, it is therefore not surprising that a planned approach will be favoured by managers. This also reflects how context can influence the process of managing cutbacks.

However, planned change approaches also come with a downside: the planned change approach is more likely to trigger employees' resistance than an emergent change approach (Weick and Quinn 1999; White 2000). Findings on emergent change approaches appear to be largely absent from the literature on cutback management, but it is not clear whether this is because emergent change processes are rare during cutbacks or because they have just not received the attention of researchers.

Whereas outcomes are predefined in planned change processes, they are more open-ended in emergent change processes. Since cutback management is generally a planned change process and therefore the outcomes of cutbacks are also likely to be predefined.

Nevertheless, cutback-related changes may have different goals. On a general level, restoring fiscal health may be the first priority for managers, but cutbacks are often accompanied by other objectives such as changing the structure of the organization or revising personnel policies.

### Resistance to and support for change

Within the change management literature, support for change is often mentioned as one of the important conditions for implementing change successfully (e.g. Kotter 1996; Fernandez and Rainey 2006). Support, but also resistance to change, might be a result of the change, as well as an aspect that appears during the process of change. Both the content and process of implementing cutback-related change can influence support and resistance among employees.

To start with the content of cutbacks, cutting costs by reducing the number of staff often produces negative feelings such as fear and distrust (Holzer *et al.* 2003), whereas changes that emphasize improvement or innovation may find more support from employees (Wright *et al.* 2013). However, as noted in a study by Kiefer *et al.* (2014), many employees still assumed organizational changes were proposed to achieve cutbacks despite being presented as innovation-driven. The works of Kiefer *et al.* (2014) and Wright *et al.* (2013) are consistent in that they show that the outcomes are related to the content of cuts, with the resistance to change differing with the different types of change contents.

Ensuring support for the need for change can be helped by communicating why change is inevitable (Fernandez and Rainey 2006). As outlined earlier, the context may play an important role here: crises can serve as windows of opportunity for cutbacks. Managers may sometimes dramatize the inevitability of resource decline and the downside of not cutting back in order to persuade employees to cooperate with changes (Behn 1980). On top of ensuring the need, it is important that managers build internal support for the envisioned changes, both from the top and from the rest of the organization. In this sense, high quality communication to avoid rumours or gossip about changes is important (Fernandez and Rainey 2006).

Next to communication, participation of employees in the change process may help to create commitment to the change (Van der Voet *et al.* 2015b). This is more likely in emergent change processes since employees are inherently active participants in the change process. In a planned change approach, top-down communication is a more likely mechanism for creating support (Van der Voet *et al.* 2015b). Besides creating support for change, it can be advantageous for managers to involve employees in the change process because lower level employees are viewed as being better informed, given that they are on the forefront of delivering public services (Dunsire and Hood 1989). If managers do involve employees, it is important to take this participation seriously. Failure to take participation seriously may even be counterproductive, leading to a waste of resources and time, and declining morale (Fernandez and Rainey 2006).

While research on change management seems to stress the importance of involving employees in the change process, the cutback management literature seems to raise doubts about involving employees. One risk of employee participation is what Levine (1979) calls the '*participation paradox*'. On the one hand, involving employees in the process may stifle resistance and demystify what is going on, on the other, involving employees within cutback management practices might fuel resistance and protective behaviour by those likely to be the main victims of the cutbacks (Levine 1979). Involuntary retrenchment, which is often part of cutbacks, forces public managers to focus on informing and communicating with staff (Holzer *et al.* 2003) rather than on letting employees participate and look for ways to cut the

budget. Furthermore, getting employees seriously involved in the cutback management process takes time, which during a crisis is in short supply.

### Outcomes of the change process

The outcomes of cutback-related change may affect both the organization, as well as its personnel. To start with the organizational level, it can be noted that cutbacks do not always result in actual change. We have already noted resistance to change as a reason why outcomes are not always achieved. In addition, the resource commitment, or predetermined expenses, of public organizations can make change difficult. Researching the effect of organizational decline on innovation, Mone, Kinley and Barker (1998) found that high levels of resource commitment negatively affect organizational innovation. This may also be the case with organizational change during fiscal stress. If the proportion of pre-committed expenses is high, organizational flexibility in changing or reassigning resources in order to pursue change may be limited. Resource commitment is generally higher within public organizations than in the private sector (Mone, Kinley and Barker 1998).

Another reason why cutbacks may not deliver the significant change that is aimed for is time pressure. Levine (1984) argues that time pressures, and the very high penalty for making wrong decisions, may force managers to cling on to their institutionalized beliefs. This may create a conservative climate in which innovation or new ideas go unheard (Cayar 1986). Pandey (2010) argues that cutback management is often no more than simple budget balancing in which organizations only change within the spreadsheets. The outcomes of change are thus very much dependent on the context, the content and the process of cutback management.

Besides organizational outcomes, cutbacks may also influence personnel. For personnel, already the announcement of cutbacks may lead to feelings of insecurity (for example because job security could be at stake) and decreased wellbeing (Conway, Kiefer, Hartley & Briner, 2014; Kiefer et al., 2015). Furthermore, cutbacks may decrease employee commitment to the organization (Van der Voet and Vermeeren, 2016). The content of change is important in how cutbacks may affect personnel outcomes. Kiefer *et al.* (2014), for example, argued that innovation-focused change as a way to achieve cutbacks increased

employees' job satisfaction, wellbeing and engagement, whereas cutback-focused change resulted in negative effects for employees. Van der Voet and Vermeeren (2016) argue that besides the content of change, the process of change may also influence wellbeing during cutbacks. Quality communication, participation in the change and individual attention may all mitigate the negative relationship between cutbacks and commitment. Especially attention can be a vital part of building internal support, since it may help to take worries and needs of employees seriously (Van der Voet and Vermeeren, 2016). Research from the UK public sector shows that the role of the so-called 'downsizing envoy' is especially important (Ashman 2013). Such an envoy is commonly a line manager (rather than a top manager) from the organization and in charge of face-to-face delivery of downsizing decisions. While the importance of such change management practices has been shown, we already discussed that the use of some of these practices by public managers is unlikely in the case of cutback-related change.

## Leadership

Research within the change management field often fails to include theories on leadership (Kuipers *et al.* 2014) despite the potentially crucial role of leadership within such processes (Gill 2002; Fernandez and Rainey 2006). In recent years, leadership theory related to public administration and public management has developed substantially (Van Wart 2013). Public organizations and their leaders nowadays face significant challenges and pressures (Vogel and Masal 2015). Among these pressures are the demand for cutbacks and cutback-related changes. The importance of leadership within change management has been highlighted by various authors (e.g., Kotter 1996; Fernandez and Rainey 2006; Higgs and Rowland 2005; 2010) with the concept of leadership behaviour attracting particular attention. Higgs and Rowland (2005), who examined leadership in a range of organizational change situations, differentiated between three broad categories of leadership behaviour. Firstly, shaping behaviour refers to how leaders try to shape behaviour: one role for leaders managing cutbacks is to provide a plan. Usually, a plan consists of the goals and the milestones that should be reached, and this therefore serves as a '*road map for the organization, offering direction on how to arrive at the preferred end state*' (Fernandez and Rainey 2006, p. 169) and hence aims to steer organizational behaviour. Framing change is the second aspect of leadership behaviour as conceptualized by Higgs and Rowland (2005). Managers can use



framing to persuade employees that changes are inevitable. The final aspect of leadership behaviour is creating capacity such as by hiring in external consultants. However, this aspect might be difficult to achieve when resources are low, and a lack of resources is frequently the very reason for cutting back in the first place (Pollitt 2010).

The type of leadership needed to change the organization depends on what strategy is required to implement the cutbacks, as well as the content of the change. Glassberg (1978) argued that while organizations with relatively flexible tasks would opt for targeted cuts, organizations that are dominated by fixed tasks would be more likely to use cheese slicing. Leadership behaviour within these two types of organizations may therefore also differ, exemplifying the link between content of cutback-related change and leadership. An organization with fixed tasks is most likely to look for shaping behaviour and a leader who *'likes to be the mover and shaker'* (Higgs and Rowland 2010, p. 372) and therefore appoint a *'cut the fat tough guy'* to implement cutbacks. Conversely, organizations with more flexible tasks are likely to seek a leader who is seen as a *'revitalizing entrepreneur'* (Glassberg, 1978; Raudla *et al.* 2015a) since leadership is expected to focus either on creating a new vision or direction (requiring framing change leadership behaviour) or on encouraging organizational learning and growth (Higgs and Rowland 2005).

Besides focussing on the leadership style of public managers, it is also important to consider the interaction between different types of leaders. Within a public and political context, cooperation between political and administrative leaders is seen as vital in pursuing organizational change (Fernandez and Rainey 2006). However, one can expect administrative and political leaders to have different priorities. Political leaders will be more inclined to cut back on operational expenditure (i.e., the administrative apparatus) rather than cut policy programmes. Administrative leaders, on the other hand, are expected to act in a self-interested way and resist cuts in their own organization (Raudla *et al.* 2015a). The fact that cutback management decision-making will be centred on the administrative and political elites (Raudla *et al.* 2015b), may force them to work closely together. Given the tensions, we would expect the relationship between public and political leaders to manifest itself differently in different phases of the cutback management process.

## Toward a research agenda on managing cutbacks

This article proposed a framework for the analysis of cutback management to increase our understanding of how public managers handle cutback-related change within their organizations. The central role of the manager in our theoretical model leads us to urge empirical research on the role of public managers during the implementation of cutbacks. Our research agenda thus focusses on research questions that aim to explain the antecedents and consequences of public managers' behaviour while enacting cutback management.

The public setting of budget cuts makes cutback management a challenging task for public managers. With regard to the relationship between context and content, we have seen that a decrease in revenues does not necessarily lead to a decrease in tasks or service level. Public managers are often asked to do *'more with less'*. How public managers deal with ambiguous and potentially conflicting goals, such as restoring fiscal health and increasing performance at the same time, is unclear. We would expect managers to have an intermediate role between the demands and constraints imposed by the context and the content of cutback management. However, the specific role and behaviour of public managers in influencing the relationship between context and content is yet unknown.

In order to build on previous research, it is important that researchers also address how the context of today's cutbacks differs from crises of the past, and how this influences managers' decision-making. We would encourage taking into account the political-administrative context in which cutback management takes place since this aspect of the public context affects managerial actions (Van der Voet, Kuipers and Groeneveld 2015a). For instance, researchers should look into the role that aspects such as political-administrative relationships play in cutback management since these relationships will likely vary during the course of the cutback management process. Gaining insight in the role of context also means that we encourage research in different public settings and different countries.

Furthermore, the context of a crisis may drive public managers into adopting a planned change approach. Nevertheless, doubts have been raised about the effectiveness of such an approach that ignores employee participation and employee commitment to change. Given

that an emergent change process may help in challenging the bureaucratic nature of public organizations (Van der Voet *et al.* 2015a), and may thus be more helpful in implementing change, cutback management research should address whether emergent change processes are used in the implementation of public cutbacks and, if so, whether and how they affect outcomes. Further, how public managers deal with the pressure exerted on them, by the context of cutbacks, to adopt a planned change approach, while the effectiveness of such an approach is doubtful, would also be a valuable component of future research.

As the process of change is also expected to influence outcomes of change, such as employee resistance, it is important to take a closer look at employee participation within the process of cutback management. Despite change management research stressing the importance of involving employees (for example Van der Voet and Vermeeren, 2016), the participation of employees in cutback management processes appears rare. Future research should consider questions such as how public managers involve employees in cutback management practices, how the involvement of employees relates to resistance to cutback-related change and whether their involvement better informs public managers' decisions on where, what and how to cut. Adding these issues to the research agenda may also help in better understanding the relationship between the process of cutback management and its outcomes, and how leadership may mediate this relationship. Employee support is, alongside providing sufficient resources, a crucial aspect for the management of organizational change. Since we concluded that these conditions generally do not prevail during cutbacks, an important achievement of research would be to answer the question of how public managers affect employee support during cutbacks. Answering this question helps to provide greater insight into the relationship between leadership and the content and process of cutback management. Furthermore, on an organizational level, it is important to understand the prevalence of certain retrenchment politics and their effects on both the organization and its employees.

Regarding the relationship between the content and the process of cuts, it is unclear whether change that is solely focused on cutting costs proceeds along different lines than change that although inspired by cutting costs also aims to improve performance. Therefore, future research could focus on the link between the process and the content of cuts as our

model shows these to be related. Answering questions on why cutbacks sometimes lead to innovations but also sometimes impede these, are relevant in this regard. Public management could also benefit from research that focusses on how cutbacks influence performance. Here issues such as what buffers the effect of cutbacks on performance (for example by building on work from Meier and O'Toole 2009) and how managers can implement cutbacks with the least effect on performance are, from both a societal and scientific point of view, important and may help to gain insight into how public managers try to do *'more with less'*.

In addition to focusing on the relationships between the different building blocks of our framework, it is also important to gain insight into public managers' decision-making processes in order to understand how they reach the choices they make regarding the process and content of cutbacks. Apart from the influence of contextual factors, such as the political-administrative context, as discussed in this paper, one could expect aspects such as values, motives and (public service) motivation to also influence the choices that public managers make.

Reflecting on these recommendations for further research, we would propose viewing cutback management as a specific type of change management. Within our framework, the role of the public manager stands central in the process of managing cutbacks and should be analysed in accordance with the various roles that a public manager has. Given the various change management factors that were used in this article, it follows that managers can be positioned at the intersection of various imperatives, both externally and internally, such as their political leaders and their own subordinates. All these actors place different demands on public managers and may try to influence the decision-making process towards their own preferences or, at the very least, are actors that need to be taken into account when managing cutbacks. Focusing on the role of public managers may help public management scholars gain insight into how and why cutbacks and cutback-related changes are managed in a particular way. Given that many public managers are still working out how to manage cutbacks, advancing research on cutback management could provide important lessons for practice as well.

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